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February 25, 2004

PUBLIC UTILITIES
COMMISSION

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FILED

The Honorable Chairman and Members of
the Hawaii Public Utilities Commission
Kekuanaoa Building
465 South King Street, 1st Floor
Honolulu, Hawaii 96813

Dear Commissioners:

RE: Docket No. 03-0417 -- Application of Hawaiian Electric Company, Inc. for
Approval to commit funds in excess of \$500,000 for Item Y 48500, East
Oahu Transmission Line Project.

On December 18, 2003, Hawaiian Electric Company, Inc. ("HECO" or "Applicant") filed an application seeking Commission approval to commit funds in excess of \$500,000 for Item Y48500 known as the East Oahu Transmission Project. On January 6, 2004, Life of the Land filed a Motion to Intervene in the instant proceeding. On January 7, 2004 the following individuals/organizations also filed Motions to Intervene:

- Carolyn H. Walther.
- Malama O Manoa.
- Kapahulu Neighbors.
- Ho'olaulima O Palolo.
- Michelle S. Matson.
- Palolo Community Council.
- Carol Fukunaga, Scott K. Saiki, and Ann Kobayashi.

On January 13, 2004, HECO filed a Memorandum in Response to the following Motions to Intervene stating that HECO does not oppose the intervention provided that the individuals/organizations are not permitted to expand the scope or delay the proceeding.

- Life of the Land.
- Malama O Manoa.

- Kapahulu Neighbors.
- Carol Fukunaga, Scott K. Saiki and Ann Kobayashi.
- Palolo Community Council.

On that same day, HECO filed a Memorandum in Response to the Motion to Intervene by Darlene Nakayama on behalf of Ho'olaulima O Palolo stating that HECO will not oppose the motion on the condition that:

- Ho'olaulima O Palolo provide information on how the interests differed from those of the Palolo Community Council,
- agrees that the person submitting the motion will be the organization's representative or designates another representative, and
- is not permitted to expand the scope of the proceeding or delay the proceeding and is required to comply with Hawaii Administrative Rules, Title 6, Chapter 61.

HECO did not respond to the Motions to Intervene filed by Carolyn H. Walther and Michelle S. Matson.

On January 29, 2004, the Commission held a hearing on the Motions for Intervention filed by Life of the Land and the Palolo Community Council. The Consumer Advocate appeared before the Commission at that hearing and represented that it did not oppose either party's Motion to Intervene.

Pursuant to Order No. 20771, filed on January 20, 2004, HECO and the Consumer Advocate were ordered to meet informally to formulate the issues, procedures and schedule in the proceeding to be set forth in a stipulated prehearing order. The stipulated prehearing order was to be submitted for commission approval within 30 days from January 20, 2004.¹ By letter dated February 19, 2004, HECO and the Consumer Advocate requested an extension until March 18, 2004 to file the stipulated prehearing order.

By this letter, the Consumer Advocate respectfully requests Commission approval to include all parties to the proceeding in the development of the issues and procedural schedule. In addition, and in lieu of the Commission's approval of the request set forth in the February 19, 2004 letter filed by HECO, the Consumer Advocate respectfully requests a stay in the instant proceeding until a procedural schedule is established in Docket Nos. 03-0366 and 03-0371 for the following reasons.

¹ See Order No. 20771 filed in the instant proceeding.

A critical issue that must be addressed in the instant proceeding is the need for the proposed East Oahu Transmission Line project. The project is currently estimated to cost \$55,424,000, which represents 5% of the Company's December 31, 2003 average rate base.² Thus, the project, if authorized by the Commission, is expected to have a significant impact on the rates charged for electric service on Oahu.

HECO has discussed the Company's assessment of the need for the project in HECO T-1. Without addressing the merits of the Company's position on the matter, the Consumer Advocate notes that intervening parties have questioned the project's need as evidenced by several of the Motions to Intervene in the instant proceeding.³

The Consumer Advocate contends that there are several factors that should be considered when evaluating the need for the proposed East Oahu Transmission Line project. One such factor is the benefits of distributed generation and its effect on the need for the proposed project. HECO itself has acknowledged that distributed generation can have positive benefits to a utility company's T&D system.

There are three active proceedings pending before the Commission that will provide useful information that can be considered in this regard. The first is the application filed by HECO in Docket No. 03-0366 seeking Commission approval to implement a Combined Heat & Power ("CHP") program. The Company stated that the "specific instances when installation of customer-sited CHP systems would affect the need date to replace or add T&D transformers or other facilities"⁴ have not been identified. Nevertheless, the Consumer Advocate recommends that the potential impact of HECO's proposed CHP program on the need for the proposed East Oahu Transmission Line project must be considered.

The second is Docket No. 03-0371, the generic proceeding opened by the Commission to address generic distributed generation issues affecting the electric industry in Hawaii. Among the issues to be addressed in Docket No. 03-0371 is "identifying what impacts, if any, distributed generation will have on Hawaii's electric distribution systems and market."⁵

² \$55,424,000 ÷ \$1,045,935,000 = .05

³ See for example, Life of the Land's Motion, Section F; Carolyn H. Walther's Motion, Paragraph 2; and Malama O Manoa's Motion, pages 2 through 4.

⁴ Docket No. 03-0366 Application, Section V.4.c., page 18.

⁵ Order No. 20582 filed on October 21, 2003 opening Docket No. 03-0371, page 2.

The third is Docket No. 03-0253, which will address HECO's 3rd Integrated Resource Plan ("IRP"). The Company has begun the process to develop the 3rd IRP and expects to present the plan for public comment in the summer of 2004, with a March 2005 filing with the Commission. It should be noted that in Decision and Order No. 11630, filed on May 22, 1992, in Docket No. 6617, the Commission set forth the Framework for Integrated Resource Planning ("Framework") in the state of Hawaii. In its Framework, the Commission identified the major steps as follows:

- Planning, in which the utility's needs are identified, objectives formulated, measures by which effectiveness in obtaining objectives are specified, etc.
- Programming by which the utility's long-range resource program plans are scheduled for implementation over a five-year period which results in an implementation strategy or timetable for program implementation.
- Implementation by which the resource program options are implemented and instituted in accordance with the utility's program implementation schedule.
- Evaluation by which the results of the resource program options are measured in light of the utility's objectives.


Furthermore, in Section III.D.3.5., the Commission stated that the integrated resource plan and program implementation schedule approved by the Commission "shall govern all utility expenditures for capital projects, purchased power, and demand-side management programs." Thus, the need for the instant East Oahu Transmission Line project should be considered in the development of HECO's 3rd IRP, consistent with the above requirements of the Commission's Framework.

Based on the above, the Consumer Advocate recommends that the formulation of a procedural schedule for the instant proceeding be deferred until such time that the parties are able to determine when information in each of the above matters will be presented. This critical information will assist in developing a comprehensive analysis of the need for the proposed transmission line project. For example, responses to discovery requests in Docket Nos. 03-0366 and 03-0371 should be filed before discovery is conducted in the instant proceeding. This will allow parties in the instant proceeding an opportunity to assess the relevance of the information presented in Docket Nos. 03-0366 and 03-0371 when making a determination as to the need for the East Oahu Transmission Line project. In addition, the Commission's approval for a stay of this proceeding will allow for an opportunity to receive input from the Advisory Group members, who are participating in the development of HECO's 3rd IRP, that may provide an additional opportunity to demonstrate the need for the proposed project.

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In summary, the need for the instant project may be evaluated and/or affected by information presented in three pending dockets before the Commission. The Consumer Advocate respectfully requests a stay in the instant proceeding to allow the parties an opportunity to consider the information presented the three dockets prior to formulating procedural schedule in the instant docket.

Sincerely yours,



Cheryl S. Kikuta
Acting Executive Director

CSK:at

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